

U.S. Civil Society Coalition for Trade and Investment

American Civil Society's Role In the Passage and Implementation Of The African Growth and Opportunity Act

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In the Beginning

American civil society was sharply divided on the issue of trade when the African Growth and Opportunity Act (AGOA) was first introduced into Congress in the late 1990s. Much of civil society was skeptical at best about the benefit to society that trade revenue could produce. Stuck on the concept of trickle-down economics espoused by former President Ronald Reagan, there was resistance to promoting any process that would allow great income to multinational companies. The various financial “bubbles” that have sent global stock markets into periodic spins have only confirmed for many that big business is not to be trusted to act in the best interest of the general public.

However, many other members of civil society saw jobs and economic development as primary benefits to AGOA. In several African countries, such as Kenya, Swaziland and South Africa, the thousands of jobs that could be created in the textile industry because of lowered U.S. tariffs under AGOA were seen as a boost to African economies and a means of creating wealth for average Africans. Moreover, the belief that American small and medium enterprise might benefit from storing, transporting, packaging and selling African imports also were goals to be desired.

When Representative Jim McDermott introduced the first AGOA bill in 1997, organizations such as the Africa America Institute, Africa Society of the National Summit on Africa, Bread for the World, the Constituency for Africa, and the Foundation for Democracy in Africa were at the forefront of efforts to convince members of Congress to approve the legislation. Using their networks across the country and in Africa, they explained to members of Congress how AGOA would boost development efforts in Africa and benefit American consumers by providing greater choices in the items they buy. Moreover, it was civil society organizations who suggested key provisions regarding human rights, especially labor rights, and mandates such as those concerning the protection of the environment.

The campaign to win passage of the initial AGOA bill took three years, but was signed into law by then President Bill Clinton in 2000. That law was followed by amendments and new stand-alone legislation that American civil society worked to ensure. Subsequent efforts in Congress to change trade preference programs to provide AGOA-like benefits to non-African countries has been fought by civil society on the grounds that textiles, currently Africa’s best and nearly only avenue to progress toward manufacturing on a large scale.

In the several versions of AGOA approved by Congress and signed into law, textiles and apparel have been featured heavily. The thinking was that production of textiles and apparel was the key to industrialization in Africa as it had been in England, America and other early industrializing countries. However, we did not fully take into account the impact of the expiration of the Multi-Fiber Arrangement (also known as the Agreement on Textile and Clothing), the international accord governing textiles and clothing was in force from 1974 through 2004.

This agreement was designed as a short-term measure to help developed countries adjust to imports from developing countries, which have the advantage of much lower labor rates. When it expired in 2005, China’s exports to Western nations of textiles and apparel grew exponentially. Poor nations such as Bangladesh saw their growing exports grow further as well. Meanwhile, African textiles and apparel industries struggled to compete in a quota-free environment. Whereas the

quota-free treatment under AGOA had allowed African exporters of textiles and apparel to be competitive with Asian producers with their greater economies of scale, without quotas, even the tariff benefits of AGOA couldn't help the Africans remain competitive with Asian producers.

In the first quarter of 2005 alone, African exports to the United States of textiles and apparel dropped by half from South Africa and by similar percentages from other African producers such as Lesotho and Swaziland. Western nations, through their rights under the World Trade Organization, placed unilateral restrictions on Chinese exports of textiles and apparel to their markets, which only served to divert these items to African markets. This flooding of Asian clothing and similar items in Africa, along with the growth of Asian-owned factories on the continent, served to shut down many African-owned textile and apparel factories.

Meanwhile, AGOA neglected the African agriculture sector, in which more than 70% of Africans work. The colonial powers established agricultural processing, such as cereal factories, only to abandon them when they departed. Without value-added production, African agricultural producers are at the mercy of fluctuating world market prices for basic products. Again, under AGOA there has not been sufficient encouragement of American investment in agro-processing or help to make it simpler for African agricultural producers to get their goods into U.S. markets.

In the United States, American civil society organizations such as the Partnership to Cut Hunger and Poverty in Africa and Bread for the World collaborated on provisions on African agricultural development to be included in AGOA legislation. Such provisions had originally been left out of AGOA legislation due to disinterest among the House and Senate agriculture committees that threatened to put the entire legislation on hold. These agriculture provisions were either removed from legislation that passed or were included in legislation that has not yet passed Congress. Since the original legislation was introduced, American civil society has, however, convinced a significant number of members of Congress that such provisions are necessary.

This brings me to the point about capacity building. The Office of the U.S. Trade Representative issues an AGOA report that cites hundreds of millions of dollars spent by the U.S. government on capacity building in support of AGOA. When you subtract the money spent by USTR to teach Africans about World Trade Organization rules and procedures and the money spent to teach African government officials about AGOA, there is surprisingly little spent in imparting a solid understanding of the AGOA process directly to African agricultural producers. If the person who plants the seed, tends the plant and harvests the crop doesn't clearly know what is and is not acceptable for export to America, we have missed an opportunity to help Africans help themselves.

The broader trade coalition with whom my organization is cooperating includes other NGOs seeking to eliminate poverty, trade experts, product experts, former government officials and those who have trained on accessing trade preference benefits. The Preferences Reform Working Group has come to consensus on five general principles regarding trade preference programs that we don't believe are in full effect currently. We believe any successful trade preference program must be:

- Certain, reliable, predictable and long-term;
- Simple to use;

- Encouraging to sustainable development and value-added production opportunities in the beneficiary countries, covering all products that beneficiary countries are capable of producing;
- Sensitive to beneficiaries' differing or unique development needs, and
- Linked wherever possible to targeted policies and programs to build capacity to participate in markets and take full advantage of preferential market access.

To fulfill the promises of the African Growth and Opportunity Act, there is a need for cooperation among government, business and civil society. The failure to do so effectively thus far has limited the extension of the benefits of AGOA. From the introduction of AGOA as legislation, it was civil society organizations who played key roles in encouraging the U.S. Congress to make it law and in suggesting ways to make its implementation more effective.

International donor programs, such as America's Millennium Challenge Act, recognize the value of the so-called "three-legged stool" – government, business and civil society. Together, we play a holistic role that better ensures the benefits of trade for everyone. We are not merely finger-pointers, complaining about rule violations; we are partners in the process of designing and implementing a better future for all people. During last year's AGOA Civil Society Forum in Nairobi, the AGOA trade process was compared to a sporting event. African and American businesses are the players who compete to make successful deals that will create wealth and thereby reduce poverty. Government plays the role of referees who create and enforce the rules of competition.

Finally, civil society acts as the analysts who tell the public not just what the statistics say about who is winning and losing, but why they win or lose and how the rules affect the game. For the experience to be as meaningful as possible, all three legs of this commercial stool must act in concert. The players must be creative and diligent in their efforts achieve profits that will benefit themselves, their families and their communities. The referees must ensure a level playing field and enforce reasonable rules fairly and equally. The analysts must tell the public not just what they see, but also what it means for our common future.

Civil society is not the lone voice crying in the wilderness; we are the think tanks who provide critical economic analysis. We are the faith-based organizations who help provide entrepreneurs their first chance to start a business. We are the business associations who safeguard the interests of our members. We are the conveners of local, national and international conferences examining the effectiveness of AGOA and other efforts to enhance the benefits of free trade. While hunger, poverty, lack of social services and lack of basic infrastructure still exist, civil society organizations have a vital role to play in the building of just, economically viable societies.

Five American coalitions have joined together to form the U.S. Civil Society Coalition for African Trade and Investment:

The **African American Unity Caucus (AAUC)** is a non-partisan alliance of committed leaders and organizations of African ancestry focused on issues affecting Africa and the African Diaspora organized by the Constituency for Africa. The mission of the AAUC is to marshal human, material and social capital in order to enhance the overall sustainable development of African people.

The **AGOA Civil Society Network** is a project of the Foundation for Democracy in Africa, and its mission is to empower African people through their civil society organizations to work with

governments and businesses to take maximum advantage of AGOA benefits on behalf of the citizens of their countries.

The **Blacks in Government – Africa Partnerships Secretariat (BAPS)** serves as the administrative arm of the BIG initiative to create continuing relationships with African governments in the exchange of information, particularly through the BIG Skills Bank, which includes members with a broad range of expertise from the federal, state, county and local levels of government nationwide.

The **Partnership to Cut Hunger and Poverty in Africa** is an independent effort formed by leaders from US and African public and private sector institutions and international humanitarian organizations. The goal of the Partnership has been to formulate a vision, strategy and action plan for renewed US efforts to help African partners cut hunger significantly.

The **Trade, Aid and Security Coalition (TASC)** is a nonprofit project of the Global Works Foundation that builds innovative partnerships, educates opinion leaders and provides significant depth and experience on international trade and economic policy in order to alleviate global poverty. By bringing together allies from diverse sectors, TASC aims to create a forum for varied and innovative ideas on foreign assistance, international trade and economic development.

Our alliance was established not as opponents of government and business, but rather as partners. Our advocacy on behalf of broadened trade and investment under AGOA can as easily promote U.S. government initiatives and business arrangements as criticize them. Our advice, based on the research organizations among us is unencumbered by involvement in creating rules and regulations or devising business deals. The capacity building in which our members have been and can be involved can help to make the U.S. government's AGOA efforts more effective and business ventures more profitable.

The U.S. Civil Society Coalition for African Trade and Investment has not bound itself solely to examining the AGOA process, but also aims to engage in efforts to envision new ways to make trade work for all of us more efficiently and effectively. We will be an ongoing actor in this process. Again, we offer not the fist to fight government and business efforts to expand commercial opportunities, or the finger to merely point at injustices, but instead we extend the helping hand to better ensure the success of those commercial opportunities.

Over the last decade, we have offered various recommendations for the success of AGOA. However, they can be summarized as the following:

- It is important that there be diversity in the beneficiaries of AGOA – governments must reap the tax benefits of successful business ventures that also make their economies stronger, business must make profits that ensure a more prosperous future for all citizens, and civil society must be empowered to safeguard the rights of citizens while not limiting their commercial opportunities.
- Capacity building efforts must be provided beyond government-to-government engagement to include the small and medium enterprises, including those in rural areas, so that all stakeholders in economic activities understand the rules of trade and how to navigate those rules successfully. Furthermore, through training of trainers, African and American stakeholders must be enabled to sustain their own growth and development rather than depend on continuing outside interventions.

- Government, business and civil society must collaborate in disseminating comprehensive information on AGOA and its potential benefits to all stakeholders in America and African countries so African and American business people can better understand how to access each other's respective markets.
- Government, business and civil society must act in concert to more effectively guarantee AGOA benefits for all stakeholders, including women, youth, ethnic minorities, those with limited education and those who live outside metropolitan areas.
- Governments who are party to the AGOA process must reexamine the rules they institute to make certain they are commercially sound and provide equitable benefits for those who engage in trade ventures, as well as the consumers of AGOA goods and services. Governments further must work with business to provide the infrastructure and transportation systems necessary to make trade viable – locally, nationally, regionally and internationally.
- African governments and regional economic communities must work together better to make commercial opportunities more possible by harmonizing trade rules and facilitating intra-African trade as an addition to extra-African trade.
- Civil society must take up the challenges of providing analysis and advocacy for the protection of the environment, the rights of workers and consumers and an equitable trade environment for all businesses. Civil society must help to ensure that as the profits of trade increase, the benefits of trade also increase, so that wealth creation is not limited and poverty increasingly disappears from our societies.
- African and American institutions must exchange research and technology, especially to upgrade agricultural development and rural community development in Africa.